

Sanitized Copy Approved for  
Release 2010/04/12 :  
CIA-RDP85T00875R00170002

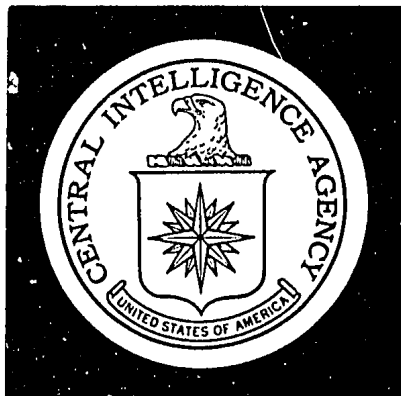
Sanitized Copy Approved for  
Release 2010/04/12 :  
CIA-RDP85T00875R00170002

review

completed

CIA/DER/IM 71-168 <sup>DOC/ler</sup>  
**Confidential**

25X1



DIRECTORATE OF  
INTELLIGENCE

# Intelligence Memorandum

*The Economic Situation In South Vietnam*

**Confidential**

ER IM 71-168  
August 1971

Copy No.

204

## WARNING

This document contains information affecting the national defense of the United States, within the meaning of Title 18, sections 793 and 794, of the US Code, as amended. Its transmission or revelation of its contents to or receipt by an unauthorized person is prohibited by law.

GROUP 1 Excluded from automatic downgrading and declassification
---

**CONFIDENTIAL**

25X1

**CENTRAL INTELLIGENCE AGENCY**  
Directorate of Intelligence  
August 1971

**INTELLIGENCE MEMORANDUM**

**THE ECONOMIC SITUATION IN SOUTH VIETNAM**

Highlights

1. South Vietnam's exports declined slightly in 1970 primarily because of a sharp decline in the world price of rubber. The volume of exports, however, increased last year, especially at year-end.
2. The land reform program is moving along essentially on schedule. There have been relatively few problems with the approval of applications for ownership and the printing of titles, but delays have occurred in getting the titles into the hands of the new owners and paying the former landlords. To date, titles have been distributed for only half of the land approved for transfer and payment has been made for less than 5%.
3. Saigon retail prices rose steadily during July, but by 9 August still had risen only 4.6% since the beginning of the year.
4. The money supply increased just under 1% in June. It has been relatively stable since January despite the disappointing sales of treasury bills. Savings and time deposits, however, have continued to grow rapidly.
5. The black market rate for dollars fell on 9 August to the lowest level since February 1970. The gradual decline since March 1971 probably reflects the government crackdown on smuggling as well as growing confidence in the piaster.
6. Charts on foreign exchange reserves, money supply and prices, import licensing, gold and currency prices, and the government budget follow the text.

---

*Note: This memorandum was prepared by the Office of Economic Research.*

**CONFIDENTIAL**

25X1

**CONFIDENTIAL**Discussion1970 Exports

7. South Vietnam's exports declined slightly in 1970 primarily because world rubber prices fell sharply. Total exports amounted to US \$11.4 million in 1970 compared with \$11.8 million in 1969. 1/ Rubber accounted for almost 80% of total exports in 1970, roughly the same share it has held since 1963 (the last year of significant rice exports). The quantity of rubber exported increased (13%) for the first time since 1964, but the decline in price was greater (16%). Despite the increase in volume, the amount of rubber exported in 1970 still was only one-third of the 1960-64 average. Scrap metal, which was first exported in 1969, accounted for the second largest share of exports last year (about 15%), with duck feathers a distant third (see Table 1). Seafood and wood products, which are expected to assume major roles in the future, provided less than \$50,000 of exports each in 1970.

Table 1  
South Vietnamese Exports

	Thousand US \$			
	1967	1968	1969	1970
Rubber	13,211	9,706	9,395	8,851
Scrap metal	N.A.	0	1,540	1,502 <sup>a/</sup>
Duck feathers	542	347	248	280
Rice noodles	91	175	65	166
Cinnamon	84	83	18	162
Ceramics	28	76	81	106
Tea	955	688	149	54
Sauces and seasoning	64	99	51	50
Seafood	550	141	149	47
Other	885	379	122	228
<i>Total</i>	<i>16,410</i>	<i>11,694</i>	<i>11,818</i>	<i>11,446</i>

a. Through October only.

1. These data represent exports on a customs clearance basis, as reported by the Directorate General of Customs. Trade data on a payments basis are reported by the National Bank of Vietnam in the balance of payments. The latter differ from the customs data because (1) payments occur in different time periods from actual commodity movements and (2) the payments data in 1967-69, though not in 1970, include large re-exports of petroleum products and empty oil drums by the foreign oil companies operating in South Vietnam.

**CONFIDENTIAL**

**CONFIDENTIAL**

8. South Vietnam's major markets have consistently been France, Japan, West Germany, and the United Kingdom, which together have purchased approximately 80% of total exports for the last four years. France is by far the largest importer of South Vietnamese goods, accounting for 48% of total exports in both 1969 and 1970. This is because France is the major market for rubber, but it also buys rice products and sauces. The United Kingdom, another important rubber purchaser, is also the major market for tea. Japan and West Germany rank among the leading customers largely because of their imports of South Vietnamese rubber. Most exports of cinnamon and ceramics and about one-fourth of duck feather exports went to the United States in 1970, but the US share of total exports amounted to only 2.5%.

9. Despite the overall decline in 1970, exports were increasing by the end of the year. No customs data are available for 1971. In 1970, 43% of the total volume of goods exported was shipped during November and December, whereas the share ranged from 14% to 20% during the same months of the previous three years. The October 1970 devaluation as well as improved security may have contributed to the increase. (In October the exchange rate for exports was raised from 118 piasters per dollar to 275 piasters.) In June 1971, the government of South Vietnam made another move to stimulate exports by granting a 75-piaster subsidy and eliminating the requirement for an export license on all exports except rubber, products produced locally with imported raw materials, imported products, scrap and other metals, and goods of military value.

**Land Reform - Progress Report**

10. South Vietnam's land-to-the-tiller program is almost on schedule for the approval of applications for ownership and the printing of titles, but distribution of titles to new owners and compensation to former landlords have fallen far behind. The land reform law took effect 26 March 1970, and by the end of March 1971 more than 200,000 hectares had been approved by village committees for distribution to new owners. This pace exceeded the goal set for the first year of the three-year program. By the end of July 1971, applications had been approved for more than one-third of the roughly 1 million hectares expected to exchange hands (see Table 2).

11. The greatest political impact of land reform, however, probably occurs when the new owners actually receive their titles, and on this count the program has fallen behind. In order to stimulate title distribution, officials are using it as the yardstick to measure the progress of land reform this year. By the end of March 1972, titles are to be distributed to new owners for 600,000 hectares of land. To date, titles have not even been

**CONFIDENTIAL**

**CONFIDENTIAL**

Table 2

## Land Distribution in South Vietnam

<u>Thousand Hectares</u>			
<u>As Of</u>	<u>Title Applications Approved</u>	<u>Titles Printed</u>	<u>Titles Distributed</u>
31 Dec 70	71	52	6
31 Mar 71	221	204	60
31 Jul 71	350	326	176

handed out for the more than 200,000 hectares approved for transfer during last year's effort. A big push both in approval of applications and in distribution of titles, however, can be expected during the few weeks remaining before the October presidential election.

12. The government's payments to former landlords, which did not begin until last December, have been made for only about 10,000 hectares thus far. There have been numerous bugs in this phase of the program, but officials believe that many have been worked out and they can begin payments on a much larger scale this month. Part of the difficulty stems from using very low resolution aerial photography to determine boundary lines. Other problems arise in trying to calculate the price per hectare. According to the law, the price is to depend on past rice yields and the price of paddy at the time of expropriation, or March 1970. Initially, the government used the average yield per province, which turned out to be too crude a guideline. Because yields varied greatly within provinces, some landlords were grossly overcompensated and others undercompensated. In recognition of this problem, payment will now be calculated using the average yield for each village. This method should eliminate many inequities, but it will be difficult to get data on average yields for villages.

13. Because of the slow pace of compensation, US aid for the land reform program has not gone beyond the \$5 million released last December when the first land payments were made. The remainder of the \$40 million earmarked for support of land reform will be released in tranches of \$2.5 million for each 65,000 hectares for which compensation has been paid. All of these funds will go to the Commercial Import Program to help offset the inflationary effects of the land payments.

**CONFIDENTIAL**

## CONFIDENTIAL

### Prices

14. Saigon retail prices rose slightly each week during July but then held steady the week ending 9 August. Despite recent increases, however, the US AID weekly price index on 9 August was only 4.6% above the level of 28 December 1970 and about 10% higher than a year ago. The comparable increase for the year ending mid-August 1970 was 42%. The price index for imported goods also increased slightly during the first three weeks of July. On 20 July this index value was 9.5% higher than at the end of 1970 and about 18% higher than a year ago.

### Money Supply

15. The money supply increased just under 1% during June. Although it is up 12.8% from what it was at the end of 1970, nearly all (11.2 percentage points) of the increase occurred in January 1971. Since then there has scarcely been any growth in the money supply despite the fact that the raising of interest rates on treasury bills early in March has not produced anything like the expected increase in sales. It was estimated that sales of treasury bills would amount to about 15 billion piasters from March through December 1971. During March-June, however, holdings of treasury bills by both commercial banks and individuals rose only 2.4 billion piasters. Savings and time deposits, on the other hand, continued to increase steadily, rising 6.3 billion piasters during the same period. Since the raising of interest rates by commercial banks last September, savings and time deposits have more than doubled.

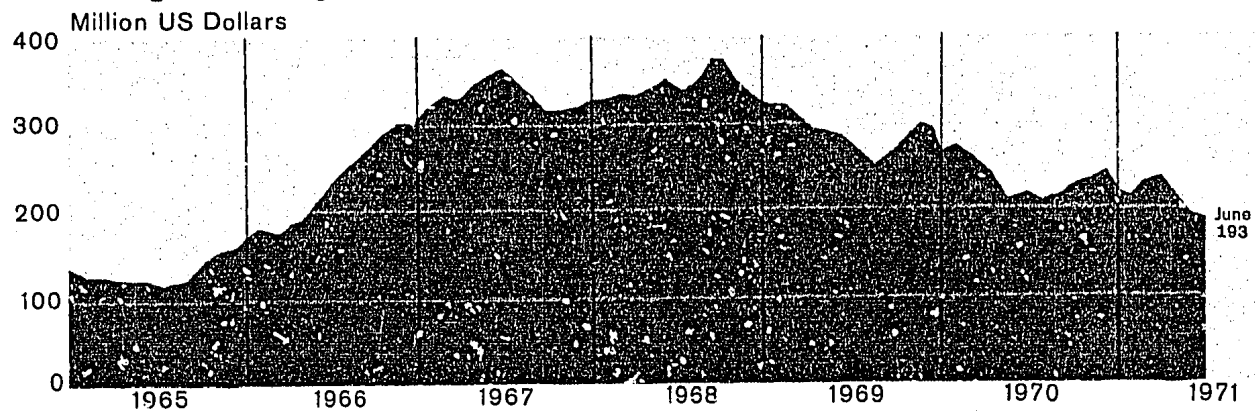
### Currency and Gold

16. The price of dollars on the Saigon black market has reached its lowest rate since February 1970. Between mid-July and mid-August, the dollar price declined steadily from 372 piasters to 357 piasters per dollar. The monthly average price for dollars has been declining gradually since last March, reflecting such factors as a government crackdown on smuggling and the growing confidence in the piaster. The price of a dollar's worth of gold leaf remained stable at about 490 piasters between mid-July and mid-August. The rate for MPC (scrip) continued to fluctuate below the legal rate of 275 piasters per dollar as it has since February.

## CONFIDENTIAL



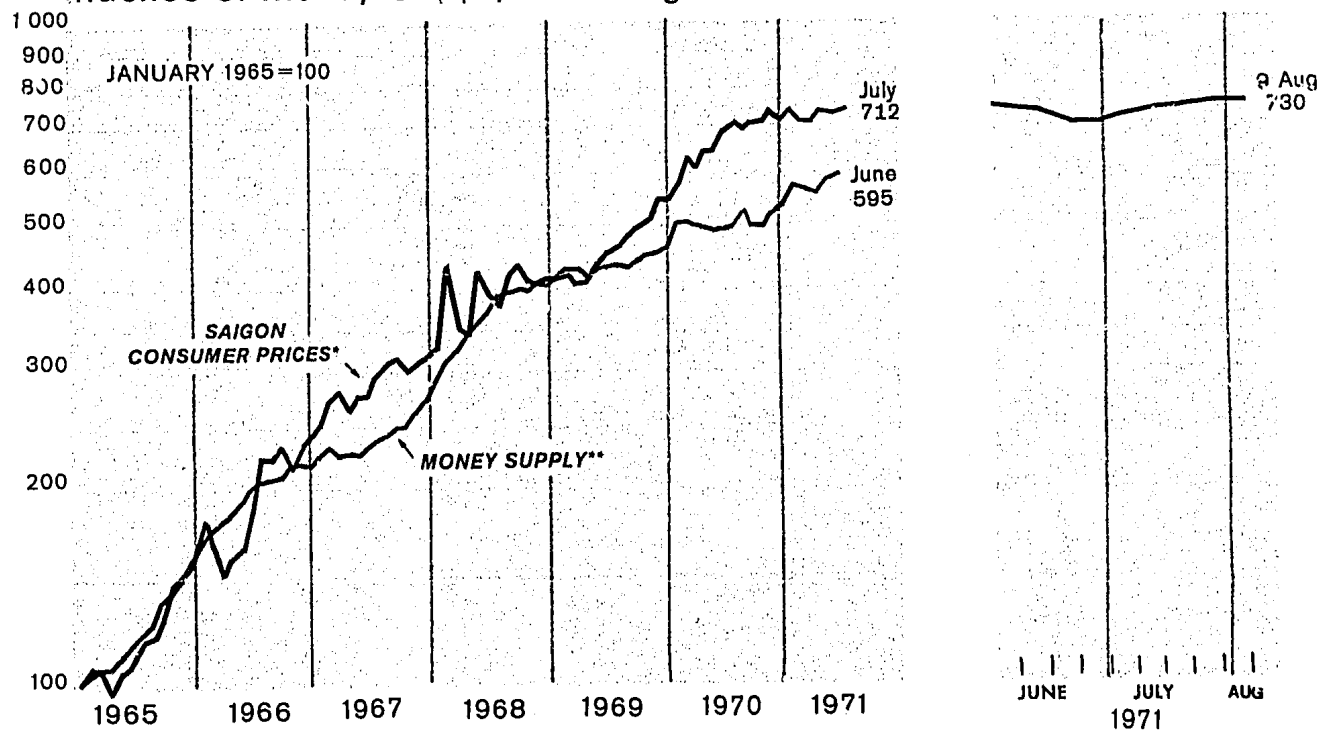
## SOUTH VIETNAM Foreign Exchange Reserves\*



\*Excluding holdings of commercial banks

511940 8-71 CIA

## SOUTH VIETNAM Indexes of Money Supply and Saigon Consumer Prices



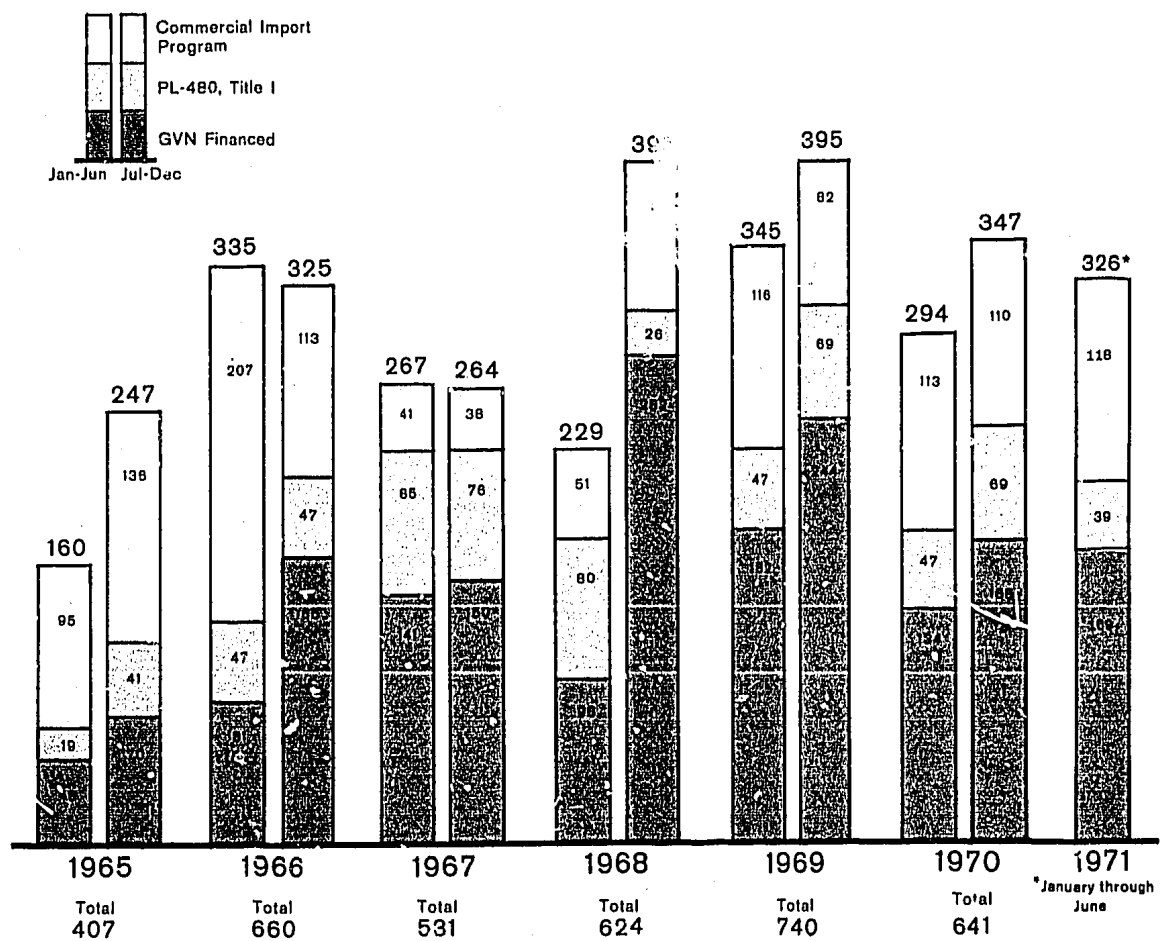
\*USAID monthly average retail price index for Saigon

\*\*Data are for end of month

511941 8-71 CIA

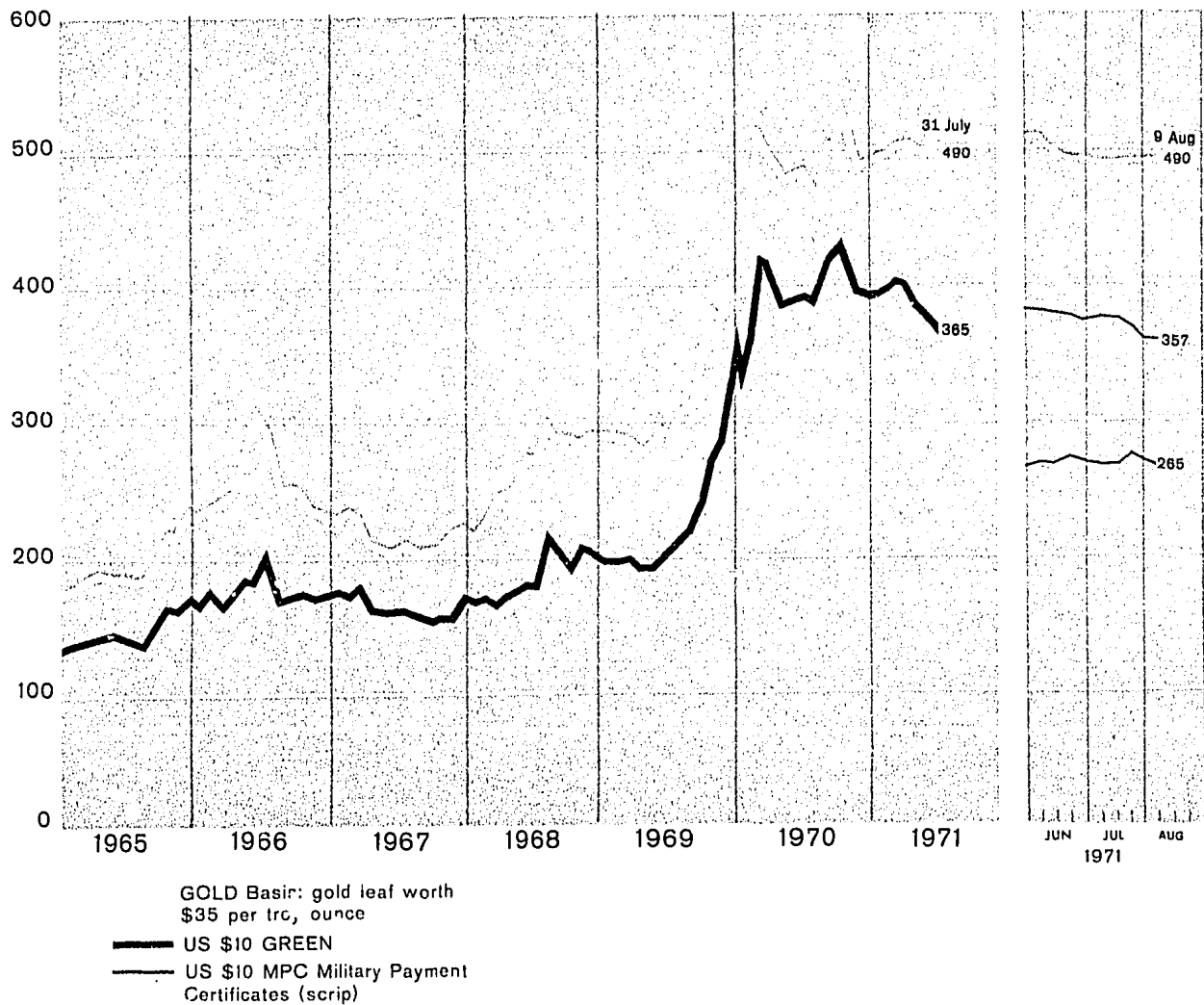
## IMPORT LICENSING

Million US Dollars



511942 8-71 CIA

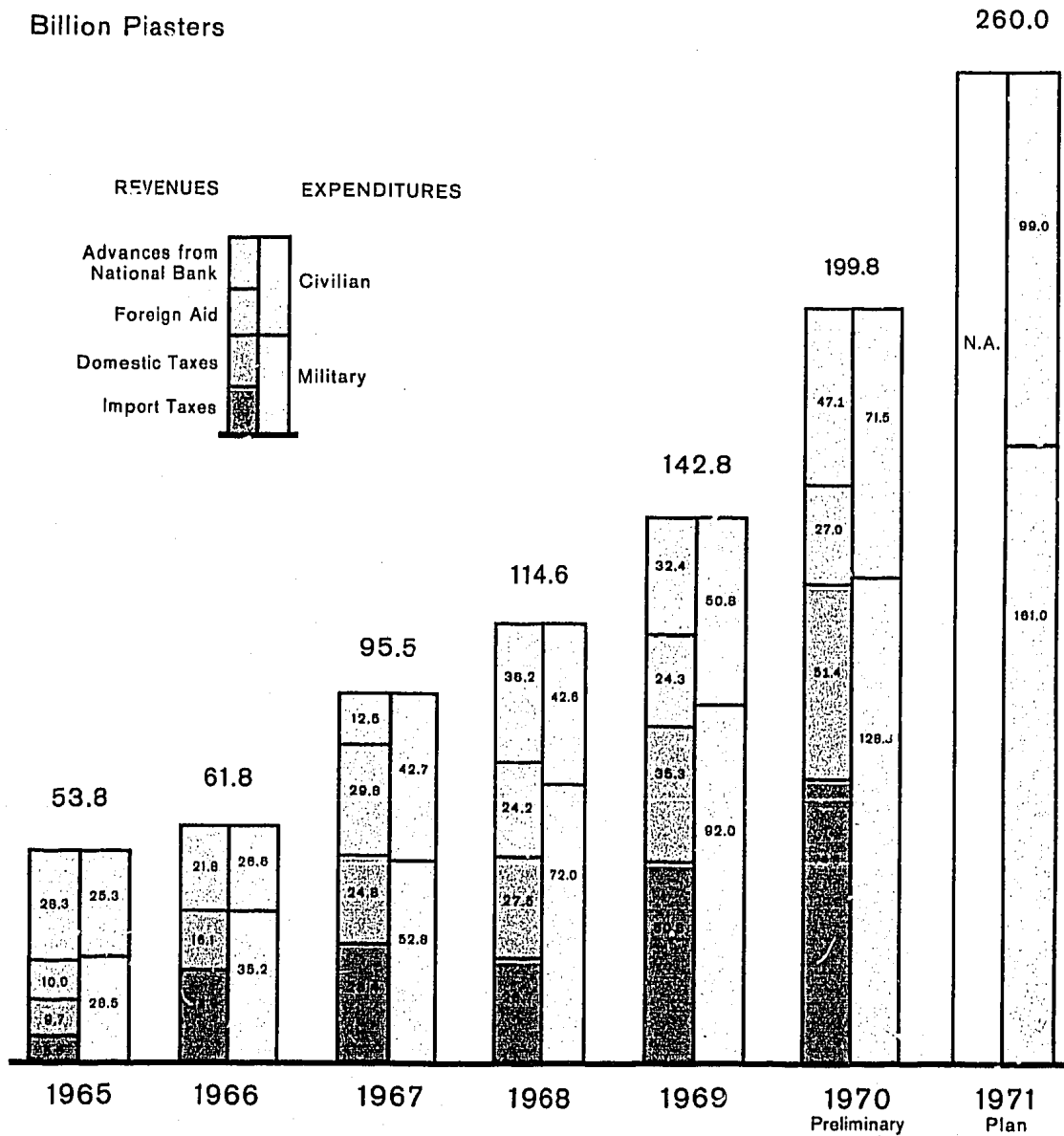
**SAIGON**  
**Free Market Gold and Currency Prices**  
 Piasters Per US Dollar



511043 R 71 CIA

# GOVERNMENT BUDGET\*

Billion Piasters



511944 8-71 CIA

\*Data include extrabudgetary revenues and expenditures